

# Traceability Technical Solutions for the Apparel Sector

*March 10, 2016*



United Nations  
Global Compact



Foundation



BSR<sup>®</sup>

# Agenda

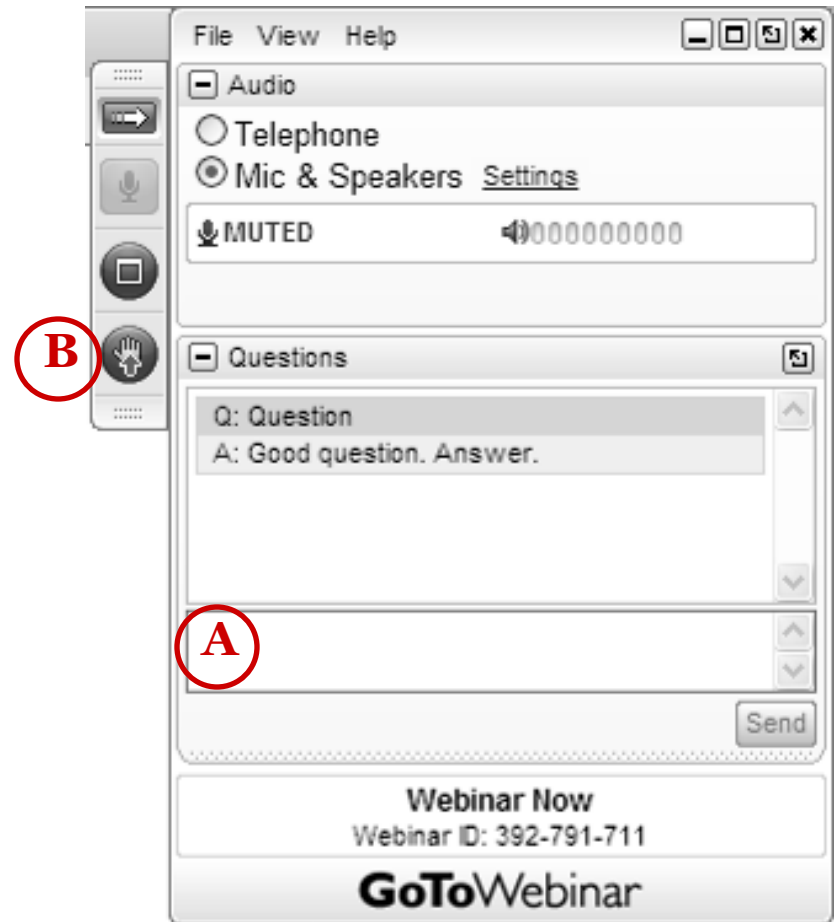
- 1. Welcome Remarks**
- 2. Today's Presenters**
- 3. Why Traceability is Important to the Apparel Sector**
- 4. Traceability Technical Solutions for the Apparel Sector**
- 5. A Case Study in Using Traceability**
- 6. Project Ideas and the Way Forward**
- 7. Your Ideas, Q&A**
- 8. Closing Remarks**

# Questions

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**Example:** *Question for John Doe: What are land rights?*



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# Today's Presenters



**Anita Househam,**  
*UN Global Compact*



**Tara Norton,**  
*BSR*



**Hilde van Duijin,**  
*Organic Cotton Accelerator*



**Leslie Johnston,**  
*C & A Foundation*



**United Nations**  
Global Compact



**Foundation**



# UNITED NATIONS GLOBAL COMPACT

8,000+

Business participants

4,000+

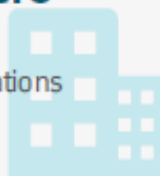
Non-business participants

28,000+

Disclosure reports submitted

## Stakeholders

Business  
Industry Associations  
Investors  
Civil Society  
Labour  
Academia  
Government



## Global Network

Europe

Latin America

North America

Asia & Oceania

Africa

MENA

160+

Countries

85+

Local Networks



## Platforms & Programmes

- Human Rights & Labour
- Women's Empowerment Principles
- Children's Rights and Business Principles
- Child Labour Platform
- Caring for Climate
- CEO Water Mandate
- Food + Agriculture Business Principles
- Anti-Corruption
- Business for Peace
- Business for the Rule of Law
- Business and Education
- Supply Chain Sustainability
- Global Compact LEAD



## Business Partnership Hubs

- Water
- Climate and Energy
- Social Enterprise
- Anti-Corruption Collective Action
- UN-Business Partnership



## Sister Initiatives

- Global Compact Cities Programme
- Principles for Responsible Investment (PRI)
- Principles for Responsible Management Education (PRME)
- Sustainable Stock Exchanges (SSE)



# A Guide to Traceability

## A GUIDE TO TRACEABILITY

A Practical Approach to Advance Sustainability in Global Supply Chains



<https://www.unglobalcompact.org/library/791>



United Nations Global Compact



United Nations  
Global Compact



## Our aspiration

is a fair and sustainable apparel industry in which everyone –from farmer to factory worker- can thrive.

## Our mission

is to support and actively drive initiatives which help transform the way the industry works.



# About BSR

We are a global nonprofit organization that works with our network of more than 250 member companies to build a just and sustainable world

# How We Work



Membership



Advisory Services



Collaboration



Research



8

OFFICES

75+

PROJECT  
LOCATIONS

100+

GLOBAL  
STAFF

250+

MEMBER  
COMPANIES



Sector-wide initiative to enable a **viable business case for organic cotton**, for both producers and the industry.

OCA will do this by:

*“We strive to **build a fair, robust organic cotton market with appropriate integrity at every relevant level, whilst growing supply and demand.**”*



**Align sector front-runners** on priority issues



**Identify systemic and pre-competitive issues**, and design solutions to **jointly** tackle them



Support sharing and acting upon results and best practices to support **learning**



Work with **value chain partners** for implementation

In 2016 and 2017, NewForesight will act as the host organization to OCA

Strategic consultancy **tackling the global and complex sustainability challenges of our time** through:



**Thought leadership**



**Strategy development**



**Sector alignment**



**NewForesight**

driving sustainable market transformation

*“We make it our mission to **initiate, shape, and drive transformational strategies for sustainability**, in close **collaboration** with our clients and partners”*

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# The Saying Goes...

“You can’t manage what you can’t measure.”

***Did you know this is a misquote?***



What W. Edwards Deming actually said was:

**“The most important figures that one needs for management are unknown or unknowable, but successful management must nevertheless take account of them.”**

Individual companies must take account (or “manage”) things that are inherently unmeasurable...

***But how?***

# Context

Traceability is increasingly desirable



- In the last two decades, **food safety related issues** and various food scandals in the agriculture sector, such as mad cow disease or the Asian bird influenza, have **highlighted the importance of traceability**.
- The **desire for traceability has extended to multiple industries** from food to include agriculture more broadly, apparel, Information and Communication Technology (ICT), automotive, jewelry sectors, etc.
- **There is an increased interest in and uptake of traceability solutions by apparel sector companies** due to the benefits to the business and sustainability benefits



Traceability is the ability to identify and **trace the history, distribution, location and application of products, parts and materials.**

*Traceability offers the promise of being able to “measure” complex issues in supply chains...*

# The Promise of Traceability...

## Better business as usual

Lower costs  
Reduced lead time  
Greater efficiency

## More control

Security of supply  
Better quality control

## Risk and reputation management

Better capacity to manage risks  
Verification of sustainability claims

## Better Compliance

With existing regulation  
Preparation for future regulation

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# The project

C&A Foundation and BSR, in partnership with the UN Global Compact, developed a project to assess the possibilities for creating truly traceable supply chains in the apparel sector.

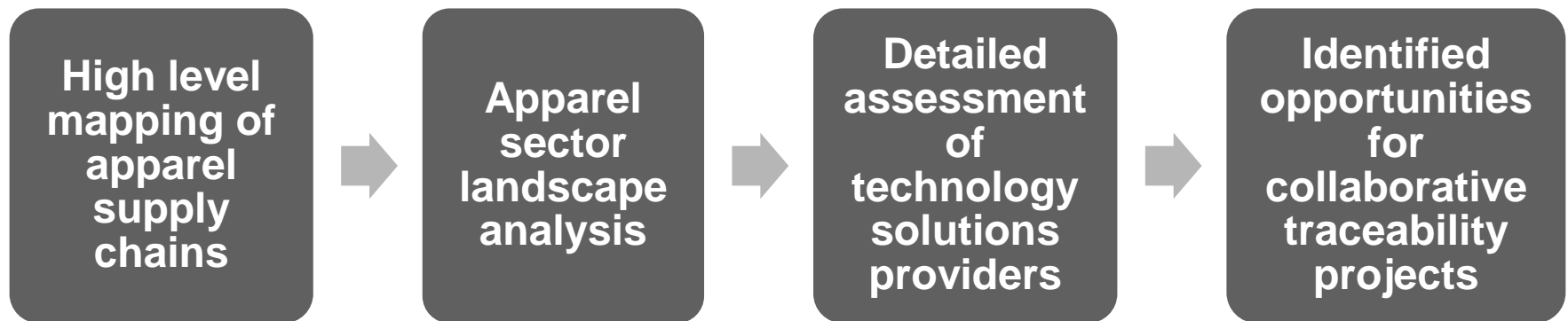


**United Nations**  
Global Compact

We sought to answer three main questions:

- What points of apparel supply chains are currently traceable?
- Do real technology solutions exist that can support and drive traceability?
- Where is the best place for the industry to work together to create traceability?

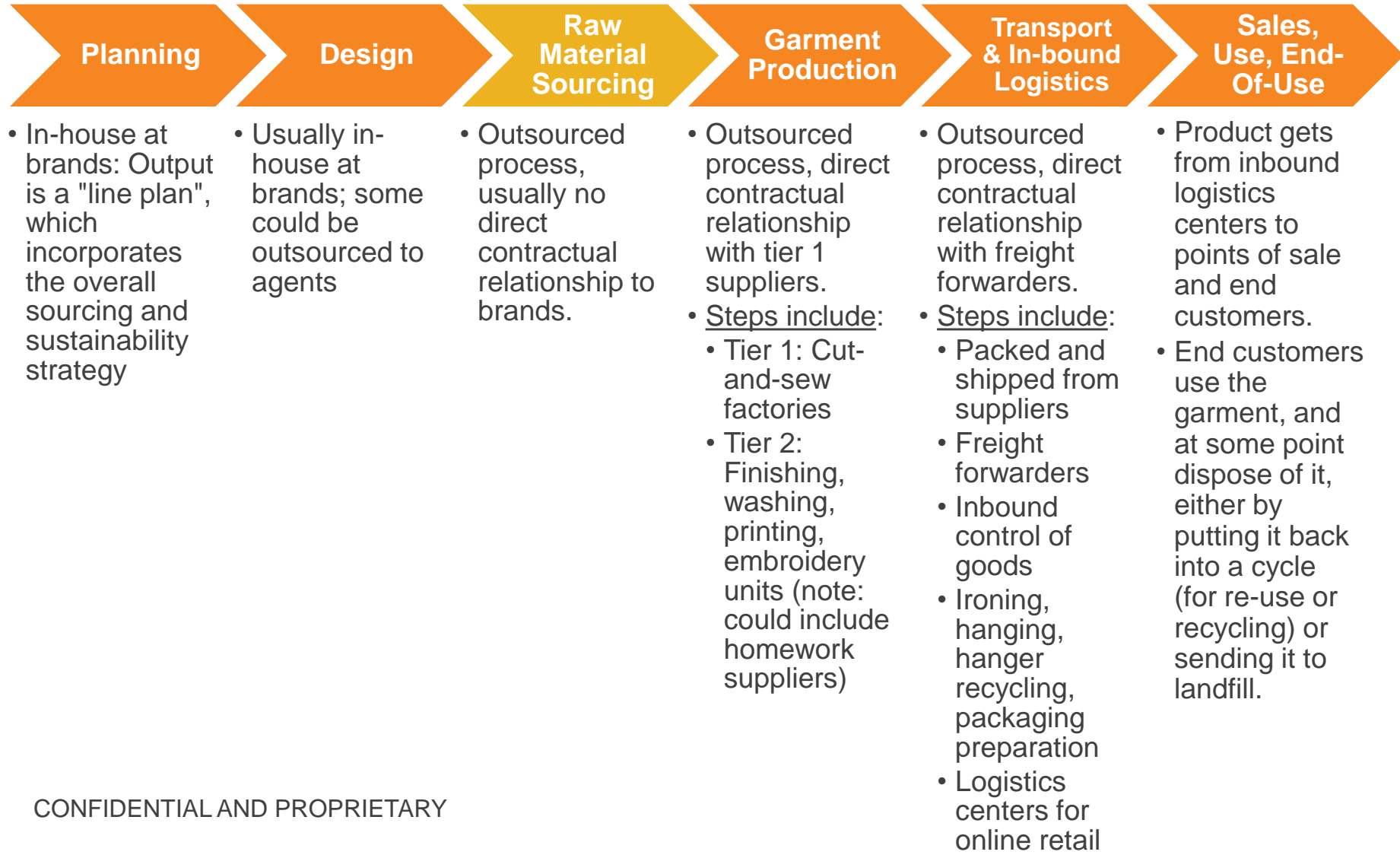
# Our Approach



*Engaged and interviewed apparel brands and their supply chain partners along the way.*


# Supply Chain Process Map Overview

*A high level overview of the apparel supply chain, with a focus on cotton:*



# List of Preferred Solutions Providers

In reviewing the overall performance of each traceability solution provider, we identified five technical solutions providers as having the greatest potential for the apparel sector.

<p><b>ChainPoint</b></p> 	<ul style="list-style-type: none"> <li>• Multiple implementations of traceability solutions with apparel companies (individual and collective) including for cotton (Better Cotton Initiative)</li> <li>• Best solution viability score</li> <li>• Excellent customer reviews including flexibility and responsiveness to customer needs</li> <li>• Data portability and interoperability of software (based on Microsoft platform)</li> </ul>
<p><b>GT Nexus</b></p> 	<ul style="list-style-type: none"> <li>• Very strong apparel sector engagement including with major international brands and collaborative initiatives like the Sustainable Apparel Coalition</li> <li>• Second best solution viability score</li> <li>• Robust implementation and issue resolution approach</li> <li>• Good staff resources in various locations, for instance, for ongoing maintenance and training</li> </ul>
<p><b>AmberRoad</b></p> 	<ul style="list-style-type: none"> <li>• History of engagement with apparel companies</li> <li>• Fourth best solution viability score</li> <li>• Proficient at adapting functionality / customization of traceability tool</li> <li>• Issues resolved rapidly and to customer satisfaction</li> </ul>
<p><b>TraceTracker</b></p> 	<ul style="list-style-type: none"> <li>• Advisor to GS1's cross-industry (including apparel) traceability working group</li> <li>• Fifth best solution viability score</li> <li>• Responsive and quick to address any system issues</li> <li>• Solution designed to integrate well with RFID enabling technology</li> </ul>
<p><b>SourceTrace</b></p> 	<ul style="list-style-type: none"> <li>• The only provider to have partnered with a major brand (Cargill) to develop an innovative traceability solution combining traceability data with big data and other data sources to further sustainability objectives</li> <li>• Robust implementation approach</li> <li>• Strong partnership experience and potential</li> </ul>

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# Traceability of organic cotton

System development and positioning

10 March 2016



# Organic cotton provides many benefits, but the sector itself is at risk

## Sector diagnostic



### As it is now

- Demand for organic cotton is on the rise
- Weak farmer business case
- Paper bale certification system
- Lack of transparency in supply chains

### Why this is limiting

- Uncertainty of supply as farmers migrate out of organic cotton production
- Organic cotton associated with reputational risks and high costs

### Way forward

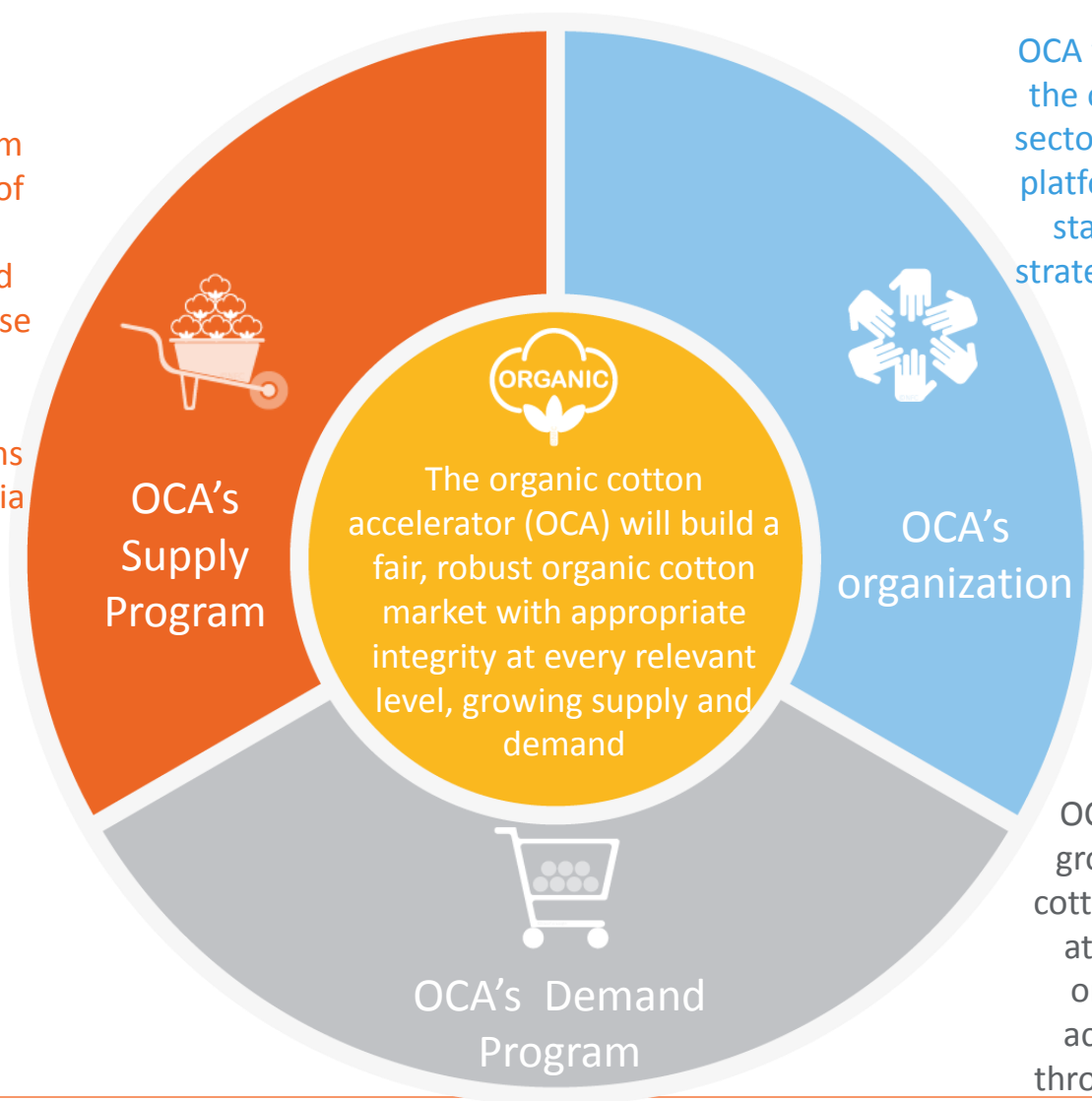
#### Need for collaborative sector reform!

- Coordinated investments and actions to improve farmer business case
- Joint action to solve integrity issues

# The Organic Cotton Accelerator (OCA) is the new collaborative platform to address the issues the sector is facing

## OCA strategy

OCA's supply program will grow the supply of organic cotton by enabling a viable and attractive business case for organic cotton farming through different interventions in pilot regions in India



OCA will strengthen the organic cotton sector by acting as a platform to align all stakeholders in strategy and actions

OCA's demand program will grow the demand of organic cotton by enabling a viable and attractive business case for organic cotton value chain actors, brands and retailers through different interventions








OCA will put in place a robust traceability system to ensure organic cotton creates benefits from farmer to customer

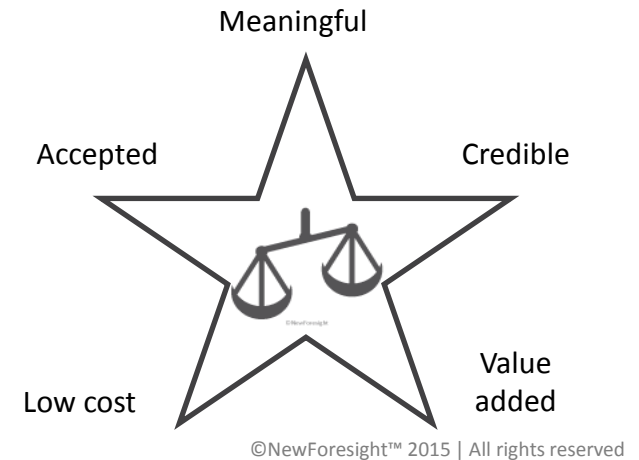
## Benefits of a traceability system



# The design and implementation of the traceability IT system will incorporate the success factors identified by OCA brands

## Success factors traceability system

 <b>Meaningful</b>	Transparency on differential payment
	Insight into supply chain actors
 <b>Credible</b>	Overview of supply chain certification
	Transparency from farmer to ginner
 <b>Value added</b>	Accessibility of supply chain data
	Increased speed of certification
 <b>Low cost</b>	Reduced certification costs
	Ease of use for supply chain partners
 <b>Accepted</b>	Flexibility for (future) integration



Designing the traceability system will be a trade off between the five guiding principles

# The traceability IT system needs to meet functional requirements with regards to supply chain partners, farmer details and claims

## Potential functionalities of the system



- ✓ Record different types of companies including their certification status for organic
- ✓ Keep track of the inventory level of each product



- ✓ Record and manage licensed volumes for a farmer
- ✓ Manage differential payments



- ✓ Record conversion rates, generate warning messages
- ✓ Manage claims
- ✓ Record auditing visit reports

# Decision: Next steps and OCA partners involvement

## Next steps



### **Stakeholder consultation on system requirements**

- Validate functional requirements
- Get input on technical requirements and M&E structure
- Create awareness and support for the system
- Secure involvement in piloting and implementation



### **Definition of technical requirements and M&E structure**

- Definition technical requirements based on consultation
- Definition of M&E structure based on desk study and consultation



**Not just another system...**

The brands and organizations that joined the movement to transform the organic cotton sector (so far...)

OCA founding partners



EILEEN  
FISHER



**INDITEX**





Now is the time to act, and build a prosperous organic cotton sector.

More information:

Hilde van Duijn

[hilde@organiccottonaccelerator.org](mailto:hilde@organiccottonaccelerator.org)

[www.organiccottonaccelerator.org](http://www.organiccottonaccelerator.org)

**LET'S GROW  
THE FUTURE  
TOGETHER**

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# Collaborative Traceability Projects... *where do we go from here?*





# 1. Traceable Cotton

*Can we help to **scale** and **harmonize** existing efforts to develop traceable cotton supply chains?*



We see opportunities to:

- Scale the Better Cotton Initiative traceability solution
- Provide a traceability tool to the Organic Cotton Accelerator
- Bring these two options together to create a single traceability system for more sustainable cotton



## 2. Traceable Viscose

*Can we develop traceable viscose and tackle associated deforestation?*



We see opportunities to:

- Develop a traceable raw material supply chain, focusing on a raw material that has different issues from cotton, and where there is a stated need from brands
- Enable apparel brands and other viscose supply chain actors to verify sustainability claims, particularly with respect to deforestation and environmental degradation



Fashion Loved by Forest



### 3. Garment Production Subcontracting

*By partnering with existing supplier databases, can we create more visibility of subcontracting relationships in a particular geography?*



We see opportunities to:

- Enable apparel brands and other supply chain actors to more readily see how, when and to whom orders are being outsourced or subcontracted
- Focus on a particular geography to track how orders actually move, and show the actual sourcing patterns
- Promote the opportunity for suppliers to have a tool that will provide them with a better order management system, to incentivize them to make their subcontracting relationships visible



## 4. Map Decentralized Production (Homeworkers)

*Can we create visibility in one of the more opaque parts of the apparel sector supply chain?*

We see opportunities to:



- Map the decentralized production supply chain globally in order to identify various suppliers across countries / regions, while including information on their social performance where available.
- Develop a database of decentralized production suppliers and their social performance, helping apparel brands and other supply chain actors develop more responsible procurement practices.



# Your Input: What Does the Sector Need?

- We would like to gather views on which of the traceability project ideas sound the most interesting to you.
- We welcome input now, and also we'd like to ask you to please respond to our survey:  
<https://www.surveymonkey.com/r/traceableapparel>

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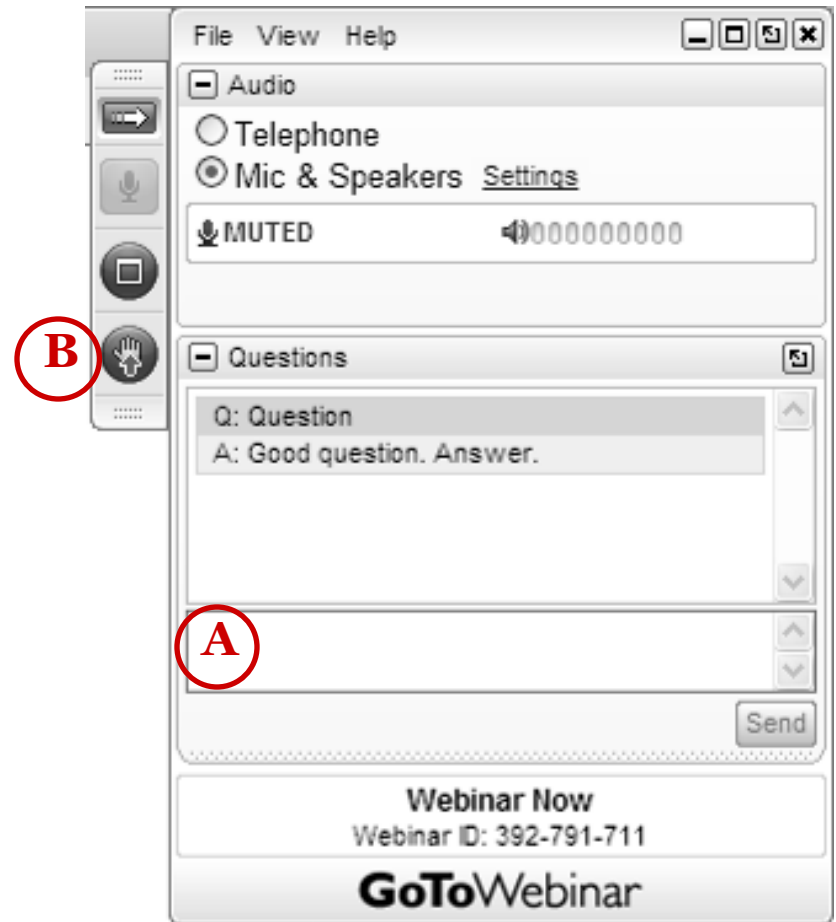


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**Example:** *Question for John Doe: What are land rights?*



# Thank you!

## Thank you for joining us today.

Presentation slides and a recording of the webinar will be available on the UN Global Compact website.

[\(\[www.unglobalcompact.org\]\(http://www.unglobalcompact.org\)\)](http://www.unglobalcompact.org)

*If you have any additional questions, please contact:*

**Anita Househam:** [househam@unglobalcompact.org](mailto:househam@unglobalcompact.org)

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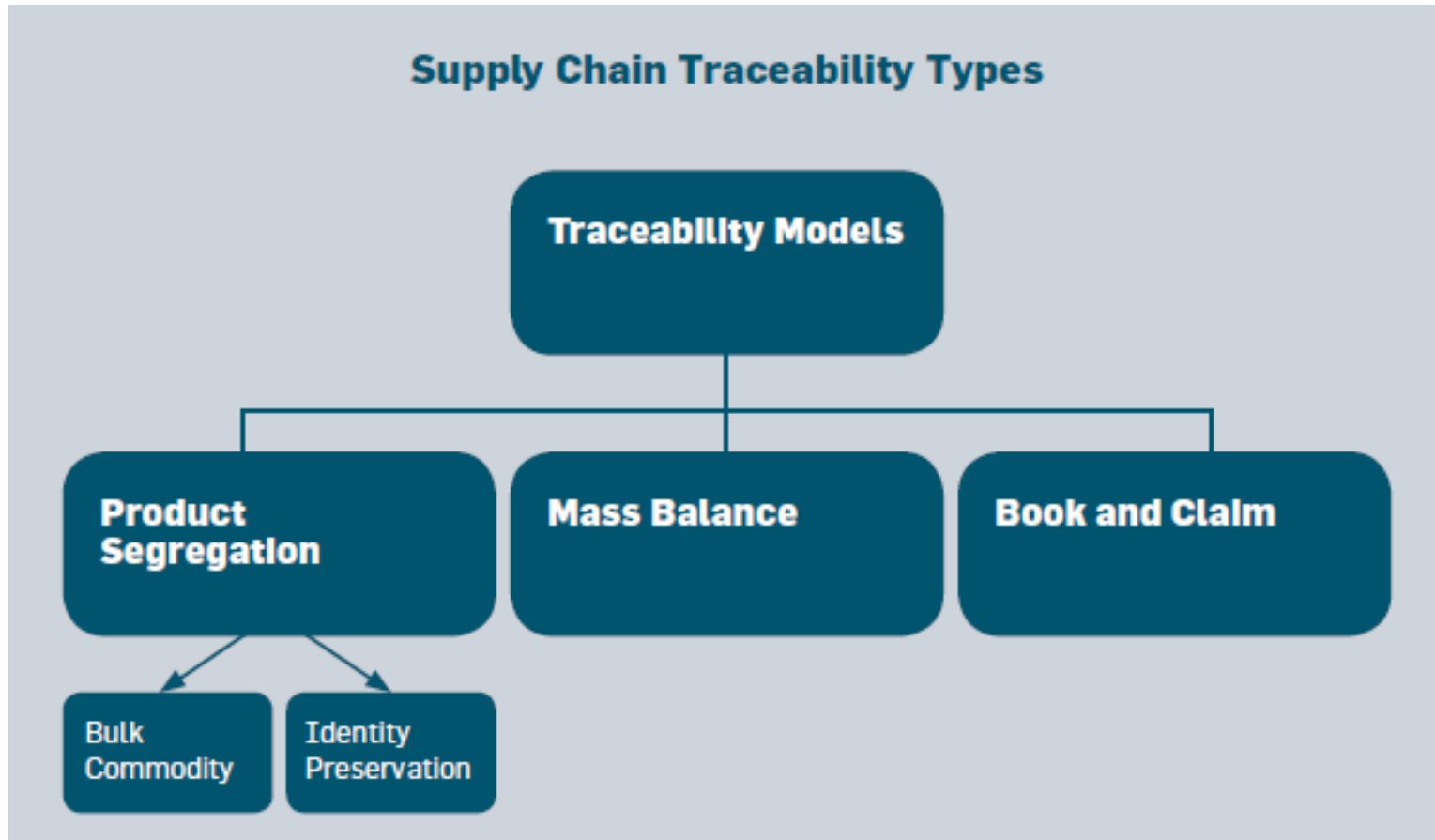


# Back-up slides

FOR SPEAKER REFERENCE ONLY

# Traceability Models

There are **three main traceability models**, which offer different approaches to tracking a claim and assuring it at each point in the supply chain.

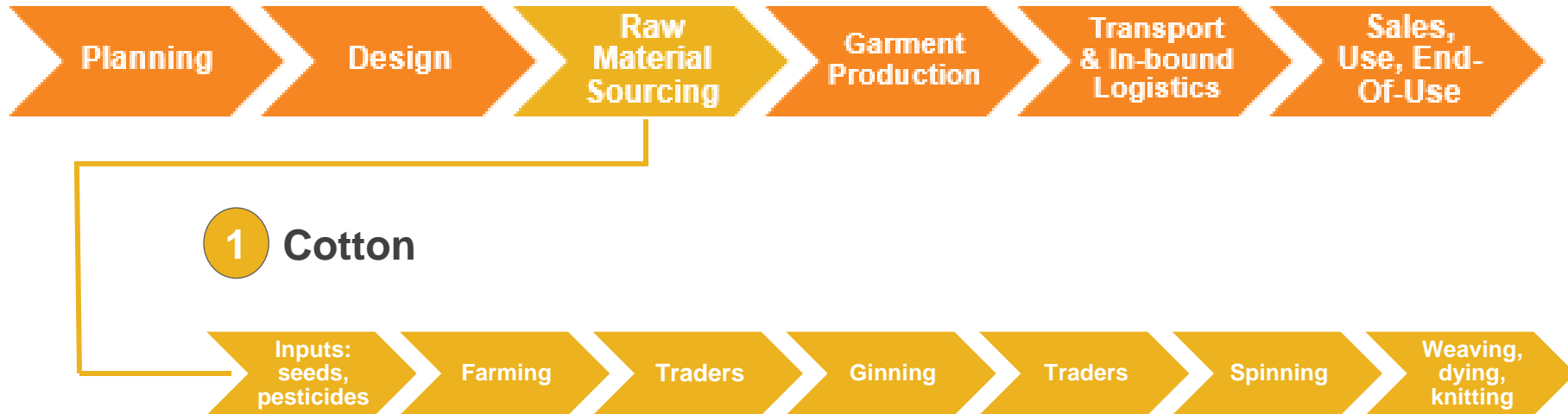


# Collaborative Traceability Schemes

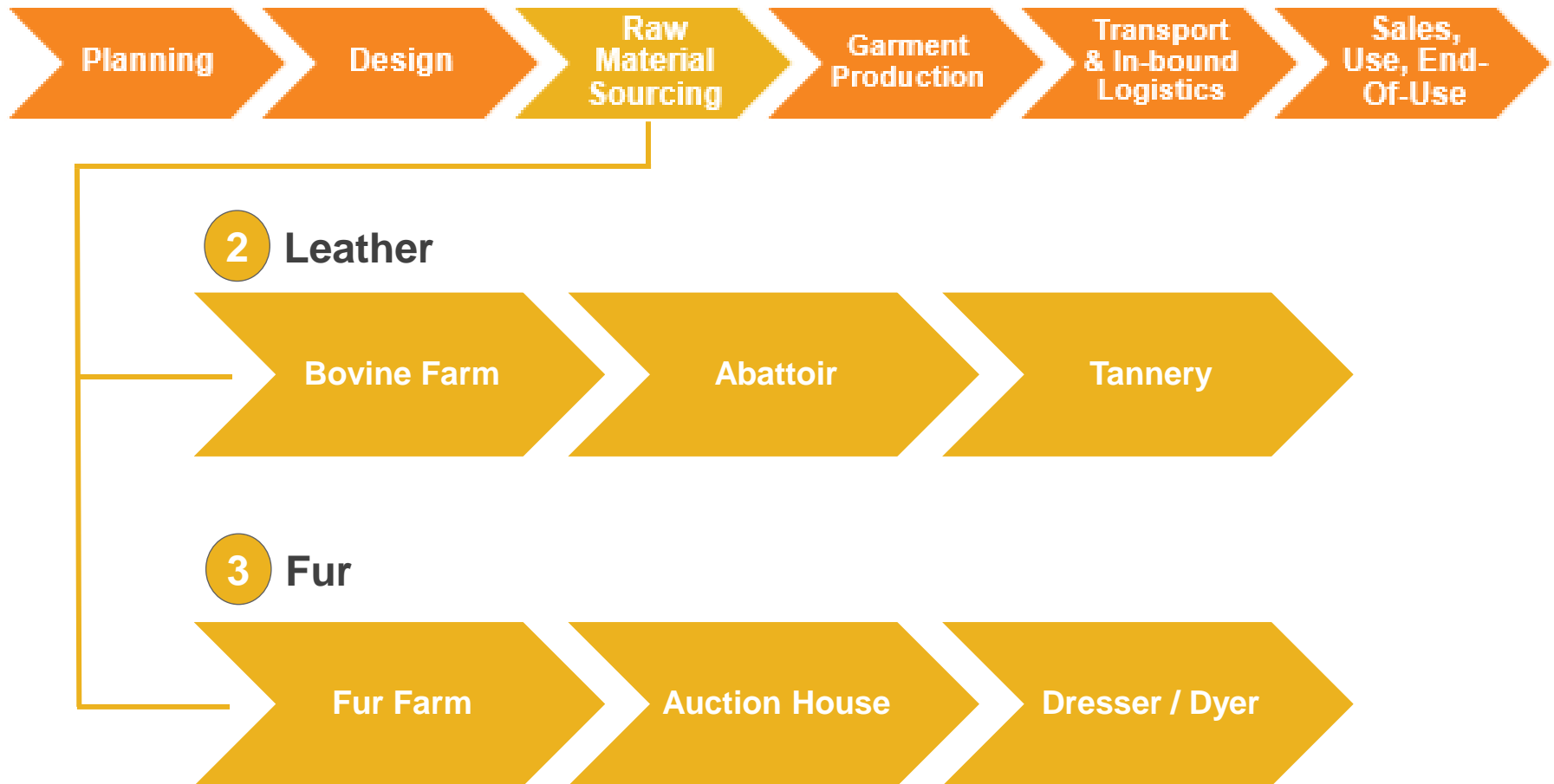
**Global collaborative traceability schemes** are commodity-focused initiatives, with **different scopes**, some providing **full certification** of sustainability attributes through a chain of custody program while others offer more **general guidance on traceability**.

	Agricultural products	Beef	Biofuel	Carpet	Cashews	Cocoa	Cotton	Coffee	Conflict minerals	Diamonds	Down	Electronics	Fish	Flowers		Fruit	Gold	Honey	Leather	Palm Oil	Personal Care	Recycled Materials	Rice	Soy	Spices and herbs	Sports balls	Sugar	Tea	Textiles	Timber	Tin	Titanium	Toys	Vegetables	Wine	Wood		
Conflict Free Sourcing Initiative (CFSI)									•																													
Fair Trade Labelling Organizations International (FLO)						•	•	•						•		•	•	•					•			•		•	•							•		
Forest Stewardship Council (FSC)																															•							
Global Organic Textile Standard							•																							•							•	
Global Sustainable Beef Roundtable		•																																				
Good Weave				•																																		
IDH Sustainable Trade Initiative					•	•	•	•				•	•	•		•				•				•	•				•		•				•			
International Federation of Organic Agricultural Movements (IFOAM)	•																																					
ITRI Tin Supply Chain Initiative (iTSCI)									•																								•					
Kimberley Process										•																												
Leather Working Group																				•																		
Marine Stewardship Council (MSC)													•																									
Materials Traceability Working Group (of the Outdoor Industry Association)																				•		•																
Programme for the Endorsement of Forest Certification (PEFC)																															•							
Rain Forest Alliance						•	•							•		•													•		•				•			
Responsible Jewellery Council									•								•																					
Roundtable for Responsible Soy																								•														
Roundtable on Sustainable Biomaterials (RSB)			•																																			
Roundtable on Sustainable Palm Oil (RSPO)																				•																		
Sustainable Forest Initiative (SFI)																															•							
TE Organic Content Standard							•																							•							•	
TE Recycled Claim Standard																																						
TE Responsible Down Standard											•																											
Tropical Forest Alliance 2020																															•							
UTZ Certified						•		•																					•									

# Raw Material Sourcing Process Maps



# Raw Material Sourcing Process Maps



# Raw Material Sourcing Process Maps



## 4 Wool



## 5 Sundries



# Option A: Cotton Traceability

A prototype or combination of prototypes focused on: 1) scaling the Better Cotton Initiative, 2) providing a traceability tool to the Organic Cotton Accelerator, and/or 3) bringing these two options together to create a single traceability system for more sustainable cotton.

## Why

There is an opportunity to enable apparel brands and other cotton supply chain actors to verify their sustainability claims (social, environmental and economic), ensure regulatory compliance, enhance responsible business practices, achieve security of supply, minimize risks, and improve quality and productivity linked to cotton sourcing and production. Brands that wish to procure both “better” and organic cotton would benefit from a single traceability solution combining all data.

## What

1. Provide additional funding and support to the Better Cotton Initiative (BCI) in order to scale the initiative, bringing more apparel brands and relevant supply chain actors on board to use the existing traceability tool.
2. Partner with the Organic Cotton Accelerator (OCA) to deploy a traceability solution, enabling the tracking of organic cotton from farm to retailer, in support of building a sustainable and prosperous organic cotton market.
3. Combine 1) and 2) to develop one traceability tool for cotton.

## Preferred Providers



## Potential Partners





# Option B: Viscose Traceability

A prototype focused on tracing from viscose fabric all the way to raw materials (in this case, wood pulp) to tackle deforestation and achieve various business benefits.

## Why

Enable apparel brands and other viscose supply chain actors to verify sustainability claims (particularly with respect to deforestation and environmental degradation), enhance responsible business practices, achieve security of supply, minimize risks and improve productivity linked to viscose fabric production.

## What

1. Partner with the Fashion Loved by Forest initiative, run by Canopy and major apparel brands\*, to prototype a traceability solution that can be used for tracing from viscose fabric to wood pulp. One of the commitments of the initiative is to create a shared “knowledge map” of the viscose supply chain to further understand raw fiber flow into fabric, enabling brands to eliminate endangered forest fiber from their clothing within the next three years. A traceability solution prototype would further the achievement of this objective.
2. Work with a handful of leading apparel brands whose sustainability strategies are strongly focused on combatting deforestation linked to their viscose supply chain.

## Preferred Providers



## Potential Partners



Fashion Loved by Forest



\* Including C&A China, Lindex, H&M, Zara, Stella McCartney, Eileen Fisher, prAna, lululemon athletica, Artizia and Patagonia, Levi's, and ASOS.

# Option C: Garment Production Subcontracting

A prototype in collaboration with existing sustainability initiatives to help address labor rights issues linked to garment production subcontracting. The prototype could initially focus on Bangladesh although other countries could become an area of focus depending on company needs.

## Why

Enable apparel brands and other supply chain actors, particularly garment manufacturers, to verify sustainability claims (particularly as concerns labor rights), enhance responsible business practices, achieve security of supply, minimize risks and improve quality and productivity linked to garment production in Bangladesh. Suppliers would especially benefit because they would only have to enter information in one system for multiple customers.

## What

Partner with apparel companies to deploy a traceability tool that would trace the flow of goods and orders from apparel brands to garment manufacturers and their suppliers (all subcontractors and providers of sundries). This would involve using data compiled by multiple sources: in-house by companies, and by collaborative data collection initiatives and systems. The prototype would need to provide business incentives to garment manufacturers to participate, for instance, using traceability data as a means to achieve better quality and productivity improvements. The suggestion would be to start in one country, such as Bangladesh, where companies and initiatives have already done significant mapping of their supply chains.

## Preferred Providers



## Potential Partners



# Option D: Mapping Decentralized Production

Map the global supply chain for decentralized production / home working, identifying various suppliers and their social and labor rights performance. While not a traceability tool prototype, this kind of a mapping exercise would be extremely valuable to the market.

## Why

Enable apparel brands and other supply chain actors to verify sustainability claims (notably in relation to labor rights, worker livelihoods and women's empowerment), enhance responsible business practices, achieve security of supply, minimize risks and improve quality and productivity linked to the decentralized production of garments. Many apparel companies have supply chains extending beyond factories to informal settings, for example, for accessories processes. These workplaces are less regulated than factories, exposing workers to greater vulnerability.

## What

1. Map the decentralized production supply chain globally in order to identify various suppliers across countries / regions, while including information on their social performance where available.
2. Develop a data collection system that would serve as a database of decentralized production suppliers and their social performance, helping apparel brands and other supply chain actors develop more responsible procurement practices.

## Preferred Providers

BSR would suggest prioritizing engagement with ChainPoint (due to its end-to-end apparel supply chain traceability experience) and SourceTrace (given its history of developing an innovative traceability solution that can combine various types of data as well as data collection experience "in the field"). Nevertheless, all provides would be approached for quotes.



## Potential Partners

